

**STATEMENT OF
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Before the

**SUBCOMMITTEE ON THE FEDERAL WORKFORCE AND AGENCY
ORGANIZATION
COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES**

On

**RETIREES RETURNING TO THE RESCUE: RE-EMPLOYING ANNUITANTS
IN TIMES OF NATIONAL NEED**

July 25, 2006

Good morning Mr. Chairman and members of the Subcommittee. I appreciate the opportunity to represent the U.S. Office of Personnel Management (OPM) and Director Linda Springer here today to discuss how retirees might be used to assist the Federal government.

OPM's Mission and Reemploying Annuitants

The Office of Personnel Management's (OPM) mission is to ensure the Federal Government has an effective civilian workforce. Reemployed annuitants can and do make major contributions to ensuring that the vital work of the Federal government can be carried out effectively.

Pending Retirement Wave

As you know, the demographics of the workforce show that approximately 60 percent of the government's 1.6 million white-collar employees and 90 percent of about 6,000 Federal executives will be eligible for retirement over the next ten years. OPM is

working closely with Federal agencies to assure that as valued employees choose to retire the work of the agencies can continue uninterrupted. We have worked with agencies to develop sound human capital strategies including workforce planning, succession planning, and leadership development. The steady focus on the strategic management of human capital is helping agencies identify and close skills gaps, meet mission needs, and plan for the future. Half of the 26 Executive Branch agencies scored under the President's Management Agenda have achieved "green" status on their human capital management efforts and almost all are green in progress.

There are times when the services of the men and women who have retired from the Federal workforce are needed to increase workforce effectiveness. Currently, agencies, other than the Department of Defense (DOD), may re-hire an annuitant at any time with the salary-offset. Under separate provision of Title 5, DOD is precluded from offsetting the salary of any re-employed annuitants. For other agencies, OPM may approve a waiver to the salary offset in certain limited circumstances. It should be noted that some non-DOD agencies have been granted their own separate authority to waive the salary offset and are not subject to OPM approval or regulation.

Current Salary Offset Provisions

The statute provides, generally, that agencies faced with emergencies, exceptional difficulties in recruiting or retaining qualified individuals or other unusual circumstances may request a salary offset waiver from OPM. The statute allows OPM to grant salary offset waivers on a case-by-case basis to agencies experiencing exceptional difficulties in recruiting or retaining qualified individuals, or to delegate this authority to agencies faced with emergencies or other unusual circumstances.

Prior to 1990, the law reflected a public policy that uniformly prohibited concurrent receipt of annuity and full pay for employment. The Federal Employees Pay Comparability Act of 1990 (FEPCA) first established a mechanism to waive salary offsets if an agency experiences a special staffing difficulty. Under those provisions, which are still applicable, an individual reemployed under a waiver receives the full annuity and full salary during the period of re-employment. However, such an individual does not earn any additional retirement benefits based on that service other than Social Security.

While the FEPCA authority was originally used sparingly, use has increased over the past few years. In 1998, OPM reminded agencies of this authority to waive the salary offset to hire critical computer specialists for the Year 2000 conversion efforts. Sixteen agencies submitted requests, which OPM quickly approved. More recently, agencies have successfully used this authority to deal with the terrorist attacks of September 11, 2001, the devastation caused by Hurricane Katrina, and other national and global emergencies. For example, the Small Business Administration successfully used salary offset waivers to recruit thirty people with expertise in granting loans in the wake of Hurricane Katrina. The Department of State used this authority to reemploy annuitants needed in support of relief efforts in the aftermath of the South Asian Tsunami and the Department of Agriculture is using the waiver to reemploy annuitants nationwide to help plan for a potential outbreak of Avian influenza.

Modernizing Dual Compensation Regulations

OPM believes current statutory provisions pertaining to salary offset waivers provide agencies the ability to meet federal workforce shortages in times of national

need. We determined, however, that our implementing regulations – not the statute itself – had to be modernized in order to better serve agency needs. The statute allows OPM to delegate authority due to emergencies or other unusual circumstances. However, OPM's implementing regulations, have always tied emergencies and unusual circumstances together, the result being that delegations can only be granted in emergencies. On Friday July 21, 2006, we published a proposed change to the rule to allow for OPM to grant, or delegate to agencies the authority to grant, such waivers in situations resulting from emergencies *or* situations resulting from unusual circumstances that do not involve an emergency. The comments we receive from those proposed regulations will be very helpful in shaping the final regulations on salary offset waivers.

While we are modernizing the regulations, we are also cognizant of the fact that waivers may incentivize retirement. Because waivers result in compensation from both the retirement fund and salary, they must be used judiciously.

Leading Creatively

Last month OPM introduced the new Career Patterns approach for hiring. In recognition of the changes in career patterns in the workplace, OPM is studying a broad range of options that will encourage employees to extend their careers with part time employment. These options will include proposals to re-employing annuitants without salary offset on a part time basis. In addition, we have included provisions in the Federal Employees Retirement Improvement Act that would remove the penalty to the calculation of the high three salary upon which annuities are based that result from part time service at the end of the career.

The existing provisions governing the computation of annuities involving part-time service have an unintended adverse effect on employees who perform part-time service at the end of their careers. The President has proposed this legislative change by including it in his fiscal year 2007 budget.

Looking Ahead

OPM recognizes the value of reemploying annuitants to meet federal workforce shortages in times of national need or emergencies, and we are proud of our sound administration of the salary offset waiver authority.

We welcome the opportunity to continue this dialogue with the committee to review options, both legislative and administrative, to improve the use of retirees to meet the nation's needs. I'm happy to answer any questions you may have. Thank you.